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DE RUEHDM #3965 2260953
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FM AMEMBASSY DAMASCUS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0930
INFO RUCNRAQ/IRAQ COLLECTIVE IMMEDIATE
RUEHAD/AMEMBASSY ABU DHABI IMMEDIATE 1271
RUEHAM/AMEMBASSY AMMAN IMMEDIATE 6179
RUEHAK/AMEMBASSY ANKARA IMMEDIATE 4591
RUEHGB/AMEMBASSY BAGHDAD IMMEDIATE 0175
RUEHKU/AMEMBASSY KUWAIT IMMEDIATE 1210

C O N F I D E N T I A L DAMASCUS 003965

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NEA/ELA
NSC FOR ABRAMS/DORAN/SINGH
TREASURY FOR GLASER/LEBENSON
EB/ESC/TFS FOR SALOOM

E.O. 12958: DECL: 02/22/2015
TAGS: [EFIN](#) [EPET](#) [KCOR](#) [JO](#) [KU](#) [SY](#) [TU](#) [IZ](#) [AE](#)
SUBJECT: SYRIA,S INVOLVEMENT IN IRAQ,S FUEL TRADE

REF: STATE 105085

Classified By: CDA Michael Corbin for reasons 1.5 b/d.

¶1. (U) Syrians are involved in both the legal and illicit trade in oil and oil derivatives from Iraq. On the legal side, the Syrian Oil Marketing Bureau (OMB) imports 10,000 barrels per day (BPD) of crude oil and 1,000 BPD of residual fuel-oil (RFO) from Iraq. In exchange, the Syrians export 60 megawatts of electricity, gasoline, and kerosene to Iraq. The Syrians use the RFO from Iraq to run at least one of their 13 power stations, though a number of others are dual-fired and are reportedly capable of burning RFO in place of natural gas.

¶2. (C) Individual Syrians are also pursuing contracts with SOMO to import RFO to Syria. Mohamed al-Ayech, commercial manager of al-Ayech Establishment, told us recently that he has been working on a contract to transport 100,000 barrels per month of RFO to Syria but has been hamstrung by the inefficient Syrian bureaucracy which compels him to obtain permits from multiple SARG entities before importing. He commented to us that a number of other Syrian entities are pursuing similar contracts based on their historical business relationships and the below-market prices for RFO in Iraq. Ayech said that once he starts importing RFO, it will be transported using Iraqi trucks since it is impossible for him to recruit Syrian trucking companies willing to haul from Iraq.

¶3. (C) In addition to the legitimate RFO imports, there are an increasing number of transactions that have less obvious legitimacy. Leading Syrian businessmen in various sectors have told us they have received unsolicited letters from Iraqi entities offering oil or oil derivatives at discounted prices. One long-time embassy contact, Hisham Akkad, recited to us how Iraqis associated with various political parties have offered him crude oil at ten dollars below market value if he could find a buyer. Akkad insisted that the transaction was legal and opined, without elaborating, that it was one of the techniques used by the GOI to maintain coalition loyalty. Akkad didn't specify how much oil he could obtain at the discounted rate but implied it could be significant, and that the larger inhibitor would be finding a qualified buyer.

¶4. (U) In the most clearly illegal category, the Syrian press occasionally runs stories reporting on Iraqi gasoline tankers being seized while selling product illegally in Syria. There

was one story reporting on two tankers in the suburbs of Damascus being seized while selling to cars, most of which had Iraqi license plates. Other news reports have been on seizures in areas closer to the border, which has led post to assume gasoline smuggling in Syria is more localized and smaller scale than the oil or RFO businesses.

15. (C) Comment. The size and extent of the illicit Iraqi fuel trade in Syria is unknown, but the clear trend is that it is increasing. The RFO trade is the most visible since a portion of it is clearly legal, but it is the discounted prices reportedly being offered on all products that piques Syrian business interest. Syrians have been in the Iraqi oil trading business previously under the "oil for food program" with Saddam Hussein. Still, it is doubtful the Syrian business community is playing any larger role in crude oil sales today than taking a commission for locating a buyer, as described by Akkad above. Ayeche insists that illicit fuel sales would be difficult for any Syrian to put together without the highest level of connections because of the increased security on the border and the three separate checks any vehicle traversing the two legal crossing points must pass through. Though illicit gasoline sales appear to be the most lucrative and easiest to execute, we have seen little evidence to date that many are occurring. Gasoline sells in Syria at roughly two dollars a gallon and the country still produces more of the commodity than it consumes.

CORBIN